

Message Text

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ACTION TRSE-00

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FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC IMMEDIATE 7397

C O N F I D E N T I A L NEW DELHI 11064

E.O. 11652: GDS

TAGS: IN, UR, EFIN

SUBJECT: RUPEE-RUBLE EXCHANGE RATE PROBLEM

REF: (A) STATE 185305, (B) MOSCOW 10391, (C) DELHI 8805,
(D) DELHI A167

1. THE RUPEE-RUBLE EXCHANGE RATE PROBLEM HAS BEEN UNDER DISCUSSION BETWEEN DELHI AND MOSCOW FOR SOME TIME (SEE REF.B, C, D). LAST MEETING HELD IN MOSCOW LATE JUNE - EARLY JULY AND ANOTHEROM WAS SCHEDULED FOR DELHI IN AUGUST (REF. B).

2. SENIOR ECONOMIC ADVISOR WHO IS MINISTRY COMMERCE MEMBER OF INDIAN NEGOTIATING TEAM ON THIS ISSUE YESTERDAY TOLD ECON/COUNS THAT DISCUSSIONS WERE CONTINUING BUT, WITH REFERENCE TO THE 38 PERCENT FIGURE QUOTE NOT ON THAT ORDER OF MAGNITUDE UNQUOTE.

3. HE NOTED HOWEVER THAT SOVIET REQUEST TO ADJUST EXCHANGE RATE WAS NOT UNREASONABLE AS URPEE AGAINST DOLLAR HAD GONE FROM 7.6 TO 9.2 DURING LIFE OF AGREEMENT. HE DID NOT INDICATE IF SOVIETS HAD ACCEPTED THIS FIGURE. THE 38 PERCENT FIGURE QUOTED REF. D MAY HAVE COME FROM WHAT IS BELIEVED TO HAVE BEEN SOVIET INITIAL POSITION THAT RUPEE HAD DEVALUED TO THAT EXTENT AGAINST GOLD (SEE REF. D).

4. WHATEVER REVALUE PERCENTAGE IS ULTIMATELY AGREED UPON, AS WE HAVE STRESSED IN OUR REPORTING ON THE SUBJECT, A MAIN ISSUE IN DISCUSSIONS IS BELIEVED TO HAVE ALWAYS BEEN WHETHER OR NOT THE NEW RATE SHOULD APPLY TO CURRENT TRANSACTIONS
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ONLY OR SHOULD ALSO INCLUDE DEBT REPAYMENTS.

5. IT IS OUR VIEW THAT GOI WILL NOT AGREE TO ADJUST DEBT
REPAYMENTS, AND THAT THIS WILL CONTINUE TO BE ONE IRRITANT,
AMONG OTHERS, IN INDO-SOVIET ECONOMIC RELATIONS UNLESS THE
SOVIETS COMPROMISE ON THEIR OWN POSITION.
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Message Attributes

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